

Message Text

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FOLLOWING REPEAT USUN NEW YORK 1855 ACTION STATE INFO GENEVA MAY 9.

QUOTE UNCLAS USUN NEW YORK 1855

E.O. 11652: N/A
TAGS: EFIN, ECON, UN
SUBJECT: UN OVERVIEW COMMITTEE - PLENARY MEETING, MAY 5,
MORNING (AGENDA ITEM TWO)

REFS: USUN NEW YORK 1832 AND USUN NEW YORK 1833

1. FRIDAY MAY 5 MORNING MEETING BEGAN WITH PRESENTATION
BY UNCTAD SYG COREA WHO REVIEWED HIGHLIGHTS OF UNCTAD
SECRETARIAT DOCUMENT SUBMITTED TO COMMITTEE OF THE WHOLE
(COW) FOR AGENDA ITEM TWO ("TRANSFER OF REAL RESOURCES").
BUT FIRST HE REPORTED ON FOUR ITEMS (COMMODITIES, DEBT,
TECHNOLOGY CODE, AND RBPS) WHICH HE SAID SHOULD BE CON-
SIDERED UNDER AGENDA ITEM THREE ("OVERSEEING AND MONI-
TORING").

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2. COREA SAID HIS CONSULTATIONS TO FIND GROUNDS TO
RECONVENE COMMON FUND NEGOTIATIONS HAVE NOT YET FOUND
PROMISE OF SUCCESS WHICH IS THE KEY CRITERION FOR RE-
CONVENING SUCH A CONFERENCE DESPITE A "UNIVERSAL DESIRE TO
ESTABLISH A COMMON FUND" AND ITS ELEMENTS (INDIVIDUAL ICAS
AND SECOND WINDOW). DIVERGENCES STILL EXIST HE SAID AND
DIFFERENCES HAD TO BE RESOLVED. THEREFORE, IT DOUBTFUL
NEGOTIATING CONFERENCE COULD BE CONVENED IN LINE WITH HIS
MANDATE BEFORE EARLY SUMMER. HE SAID THAT SEARCH FOR

AGREEMENTS ON INDIVIDUAL PRODUCTS WAS NOT CLOSE TO COMPLETION, OBSERVING THAT UNCTAD HAD NOT UNDERSTOOD THE COMPLEXITY OF THIS TASK, ADDING IT WAS ONLY TWO YEARS SINCE UNCTAD V AT NAIROBI AND THERE WAS NEED FOR PATIENCE. HE NOTED HOWEVER THAT IF A COMMON FUND ITSELF EXISTED THE TASK OF CREATING INDIVIDUAL ICAS WOULD BE QUICKER AND EASIER.

3. SECONDLY, HE DESCRIBED MARCH MEETING OF TDB MINISTERIAL ON DEBT AND ITS RESOLUTION, NOTING THAT RTA, EQUIVALENT MEASURES, AND EXPANSION OF GRANT ASSISTANCE TO LLDCS AND MSAS WILL RESULT REDUCTION OF THEIR DEBT SERVICING BURDEN BY \$600 MILLION PER YEAR FOR THE NEXT 10 YEARS. HE SAID THAT EXPERTS ON FUTURE FEATURES OF DEBT RESCHEDULING WOULD MEET IN TIME TO REPORT TO UNCTAD V IN MAY 1979. COREA COMMENTED THAT RESOLUTION HAD BEEN CRITICIZED BY SOME AS A DECLARATION OF INTENT RATHER THAN A LEGALLY BINDING AGREEMENT, BUT HE DISAGREED AND EXPRESSED VIEW THAT GOVERNMENTS WILL FULFILL THEIR COMMITMENTS WHICH WILL BE REVIEWED AT UNCTAD V.

4. ON THE CODE OF CONDUCT FOR TRANSFER OF TECHNOLOGY, COREA OUTLINED AREAS OF AGREEMENT AND DISAGREEMENT NOTING UNCLASSIFIED UNCLASSIFIED

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THAT HE EXPECTED FINAL WORKING GROUP MEETING IN NOVEMBER 1978 AND THAT HE WAS CAUTIOUSLY OPTIMISTIC ON THE OUTCOME. HE REPORTED THAT HE EXPECTED THAT AD HOC EXPERTS GROUP ON RESTRICTIVE BUSINESS PRACTICES WOULD COMPLETE ITS WORK IN LATE 1978 OR EARLY 1979.

5. IN TAKING UP AGENDA ITEM TWO, COREA SUMMARIZED UNCTAD DOCUMENT WITHOUT ANY ELABORATION AS HE DID RELATIVE TO AGENDA ITEM ONE CONCLUDING THAT COW COULD PROVIDE THE POLITICAL SUPPORT NECESSARY TO ACHIEVE THE TARGETS AND GUIDELINES RELATIVE TO THE TRANSFER OF RESOURCES IN REAL TERMS TO DEVELOPING COUNTRIES.

6. SECOND INTERVENTION ON AGENDA ITEM TWO WAS MADE BY US DEL HORMATS WHO INTRODUCED CONGRESSMAN WHALEN AND THEN REVIEWED PRESENTATIONS TO DATE NOTING WIDESPREAD COMPREHENSION OF LINKAGE BETWEEN AGENDA ITEMS ONE AND TWO. POINTING OUT RELATIONSHIP BETWEEN TRADE, DOMESTIC POLICIES, AND RESOURCES HE CITED NEED TO IMPROVE RESOURCE TRANSFERS IN SUPPORT OF DEVELOPMENT AND LISTED RECENT ACHIEVEMENTS: DEVELOPED COUNTRIES' COMMITMENT AT CIEC TO INCREASE ODA FLOWS SUBSTANTIALLY; US FY 78 INCREASE IN FAA AND REQUEST FOR NEW YEAR; US PLEDGE TO SPECIAL ACTION PROGRAM; US FULFILLMENT OF CIEC UNDERSTANDING RELATIVE TO DAC GRANT ELEMENT TARGET IN ODA FOR LEAST DEVELOPED INCLUDING NOTATION ALL US DEVELOPMENT ASSISTANCE TO LEAST DEVELOPED ON GRANT

BASIS AND STEPS BEING TAKEN TO PROVIDE FOOD AID FOR THESE COUNTRIES ON GRANT BASIS; ESTABLISHMENT OF IFAD AND US SUPPORT; US SUPPORT FOR REAL GROWTH IN LENDING OF THE IBRD AND SUPPORT OF REPLENISHMENTS FOR IDA, AFRICAN DEVELOPMENT FUND, AND ASIAN DEVELOPMENT FUND ALL SUBJECT TO CONGRESSIONAL APPROPRIATION; TDB MINISTERIAL AGREEMENT ON LDC DEBT WHICH US SUPPORTS; IBRD/IMF DEVELOPMENT COMMITTEE STUDY ON LDC ACCESS TO CAPITAL MARKETS AND FACT THAT US MARKET IS OPEN TO ALL BORROWERS NOTING OUR ENCOURAGEMENT OF COUNTRIES TO EXPLORE BORROWING IN US MARKETS; NOTING DEVELOPMENT

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COMMITTEE'S EXPLORATION OF MULTILATERAL GUARANTEES AND FACT US FOLLOWING EFFORTS OF COUNTRIES TO TAKE ADVANTAGE OF CURRENT IBRD PARTIAL GUARANTEE SYSTEM REPORTING OUR EFFORTS BRING TOGETHER POTENTIAL BORROWERS WITH LENDERS AND CITED NIGERIAN SESSION WHICH WE ARRANGED; AND EXPANSION OF IMF FACILITIES AND LIBERALIZATION OF ITS CFF AND LIMITED UTILIZATION OF THESE FACILITIES BY LDCS TO DATE; AND FINALLY TRUST FUND RESOURCE EXPANSION FROM GOLD SALES AND SDR LOANS FROM OIL FACILITY.

7. HORMATS AGAIN OUTLINED BASIC HUMAN NEEDS STRATEGY'S EMPHASIS ON INCREASING EMPLOYMENT OPPORTUNITIES THROUGH IMPROVED SKILLS OF THE POOR LEADING TO INCREASED INCOME AND PRODUCTION. ALL OF WHICH MEETS OUR VIEW OF THE NEED TO BROADEN THE PARTICIPATION OF THE POOR IN THE DEVELOPMENT PROCESS.

8. NOTING AGAIN THE IMPORTANCE OF TRADE IN CREATING RESOURCES FOR DEVELOPMENT, HORMATS REGRETTED EVIDENCE OF ATTEMPTED INCREASED PROTECTIONISM BUT SUPPORT DANISH DELS OBSERVATION THAT DESPITE THESE PRESSURES ENGENDERED BY RECESSION, UNEMPLOYMENT, AND BOP DEFICITS DEVELOPED COUNTRIES HAVE MAINTAINED REMARKABLY OPEN MARKETS FOR IMPORTS CITING STATISTICS ON IMPORTS OF MANUFACTURES BY DCS FROM LDCS. HE NOTED EFFORTS OF DCS TO HELP THEIR INDUSTRIAL SECTORS TO ADJUST TO THESE FACTORS AND NEED FOR RECIPROCAL ADJUSTMENT BY LDCS TO PROVIDE INCREASING ACCESS TO THEIR GROWING MARKETS FOR EXPORTS FROM INDUSTRIALIZED COUNTRIES. HE REITERATED HIS EARLIER POINT ON ENORMOUS OPPORTUNITY PROVIDED BY CURRENT MTN AND SAID THAT HE COULD INFORM COW THAT AMBASSADOR STRAUSS WILL MAKE AVAILABLE MEMBERS OF THE US MTN DELEGATION IN GENEVA TO HELP LDC REPRESENTATIVES IN MAKING A CONTRIBUTION TO THE OVERALL OBJECTIVES OF THE MTN.

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9. HORMATS SAID DESPITE THESE AREAS OF RECENT PROGRESS

MORE HAD TO BE DONE TO INCREASE RESOURCE TRANSFERS FOR DEVELOPMENT NOTING: US WILL ENDEAVOR TO INCREASE ITS ODA "SUBSTANTIALY AND PROGRESSIVELY BOTH BILATERALLY AND MULTILATERALLY" AND APPLAUDED INCREASES IN ODA FROM A NUMBER OF OPEC AND OTHER COUNTRIES; FUKUDA VISIT AND JAPANESE EFFORTS TO DOUBLE ODA WITHIN THREE YEARS; US SUPPORT FOR REPLENISHMENT OF INTER-AMERICAN DEVELOPMENT BANK'S REGULAR CAPITAL AND SOFT FUNDS. HE EXPRESSED US INTEREST IN THE PRINCIPLE OF MULTIYEAR FUNDING FOR UNDP TO PROVIDE THAT AGENCY WITH THE MEANS FOR MORE RATIONAL PROJECTION OF ITS INCOME AND EXPENDITURES. HE ALSO CITED US SUPPORT FOR THE TRANSPORT AND COMMUNICATIONS DECADE FOR AFRICA SINCE SUCH INFRASTRUCTURE WAS ESSENTIAL TO HELPING PRODUCTIVITY IN MEETING BASIC NEEDS, URGING THE ECA AND AFRICAN DEVELOPMENT BANK TO TAKE THE LEAD IN THIS EFFORT.

10. REFERRING TO HIS REMARKS UNDER AGENDA ITEM ONE, HORMATS NOTED COMMON EMPHASIS ON NEED TO ATTRACT INVESTMENT FLOWS. HE COMMENTED ON NDAPTABILITY OF FOREIGN INVESTORS TO CHANGING CIRCUMSTANCES--PARTICIPATION IN JOINT VENTURES, R&D IN LDCS, MANPOWER TRAINING TO EFFECTIVELY UTILIZE HOST COUNTRY NATIONALS. HE ALSO CITED LENGTH OF TIME TO PUT PRODUCTION FACILITIES IN PLACE WHICH EXACERABATED BY UNCERTAINTIES IN HOST COUNTRIES' INVESTMENT CLIMATE. THIS LIMITS NEW INVESTMENT IN RAW MATERIAL DEVELOPMENT WITH CONCOMITANT NEGATIVE IMPACT ON EXPANDED EMPLOYMENT AND FOREIGN EXCHANGE EARNINGS. SUCH DELAYS COULD RESULT IN SHARP PRICE INCREASE AS INDUSTRIALIZED COUNTRIES' ECONOMIES EXPAND AND HIGH-COST-PRODUCTION FACILITIES SEEK TO MEET THE GROWING DEMAND INSTEAD OF NEW MORE EFFICIENT FACILITIES FILLING THAT ROLE.

11. THE US, HORMATS SAID, BELIEVES THAT CREATION OF MULTILATERAL INVESTMENT INSURANCE FACILITY COULD HELP ENCOURAGE
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INVESTMENT FLOWS IN MINERAL AND OTHER SECTORS. HE SAID WE LOOK FORWARD TO PARTICIPATING IN THE GROUP OF EXPERTS TO BE CREATED BY UNGA RESOLUTION 32/72 TO STUDY THE FEASIBILITY OF SUCH A FACILITY. HE ALSO NOTED US SUPPORT FOR THE ONGOING WORK OF THE UN COMMISSION ON TNCS SEEKING TO PRODUCE AN ACCEPTABLE TNC CODE OF CONDUCT.

12. REFERRING TO UK AND VENEZUELAN DELS SUGGESTION FOR INCREASED COOOERATION ON ENERGY HE SAID IT WAS IN INTEREST OF ALL TO ASSIST LDCS INCREASE ENERGY PRODUCTION. NOTING SPECIAL ROLE OF PRIVATE SECTOR IN THIS MATTER HE SUGGESTED INDUSTRIALIZED OIL PRODUCING COUNTRIES COULD ASSIST THROUGH FINANCIAL AND TECHNICAL ASSISTANCE CITING US AND IBRD INCREASED EFFORTS IN THIS AREA.

13. HORMATS CLOSED WITH STATEMENT OF SUPPORT FOR IBRD/IMF DEVELOPMENT COMMITTEE EXAMINATION OF EXPORT EARNINGS STABILIZATION AND THE IMF'S CFF. (FULL TEXT POUCHED TO WATSON EB/IFD/ODF.)

14. AMBASSADOR MILLS OF JAMAICA SPEAKING FOR G-77 BEGAN WITH OBSERVATION TWO DAYS OF COW DISCUSSION ON GLOBAL ECONOMY SHOWED SIGNIFICANT MOVEMENT TOWARD ACTION TO RESOLVE REAL PROBLEMS AND LINKAGES BETWEEN AGENDA ITEMS ONE AND TWO NOTING THAT ADEQUATE FLOWS OF RESOURCES TO LDCS BENEFITED DCS AND DETERIORATION IN GLOBAL ECONOMY HAD NEGATIVE EFFECTS ON RESOURCE TRANSFERS. MILLS THEN TOOK SPECIAL NOTE OF WHAT HE CHARACTERIZED AS POSITIVE US STATEMENT ON RESOURCE TRANSFERS CITING OPEN ACCESS TO US CAPITAL MARKET, ACCESS FOR LDC EXPORTS, SUPPORT FOR CODE OF CONDUCT FOR TNCs, AND OFFER TO MAKE AVAILABLE MTN ASSISTANCE THROUGH AMBASSADOR STRAUSS STAFF.

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15. MILLS REVIEWED G-77 PAPER ON RESOURCE TRANSFERS NOTING IN PARTICULAR FAILURE OF INDUSTRIALIZED COUNTRIES TO MEET ODA TARGETS AND TIME FRAME LAID DOWN IN IDS FOR SECOND DEVELOPMENT DECADE ADDING THAT WHILE ODA TERMS HAD IMPROVED SPEED AND CONDITIONALITY ODA AS PERCENTAGE OF INDUSTRIALIZED COUNTRIES' GNP HAD NOT. HE GAVE NOD TO OPEC CONTRIBUTIONS TO INCREASING OVERALL AMOUNTS OF ODA. MILLS EXPRESSED USUAL G-77 VIEWS ON IFIS, PARTICULARLY NOTING 77 VIEWS ON IMF SHORTCOMINGS. HE ACKNOWLEDGED THAT INVESTMENT CLIMATE UNCERTAINTIES IN LDCS WAS A DISINCENTIVE TO FOREIGN INVESTORS BUT ADDED THAT HOST COUNTRIES HAD RECIPROCAL UNCERTAINTIES ABOUT POLICIES PURSUED BY FOREIGN INVESTORS, THUS AN ACCOMMODATION WAS NEEDED TO REMOVE THESE UNCERTAINTIES. HE RELATED LDC DEBT TO ODA ACKNOWLEDGING THAT SOME PROPOSALS FOR DEBT BURDEN RELIEF INVOLVED POLITICAL CONSIDERATIONS AND THE APPROPRIATION PROCESS IN CREDITOR GOVERNMENTS.

16. IN CONCLUSION MILLS RELATED GLOBAL ECONOMIC WELL-BEING TO NEEDS OF LDCS THROUGH ESTABLISHMENT OF A NIEO THAT RESOURCE TRANSFERS, ESPECIALLY ODA, PROVIDED ON CONDITIONS GEARED TO LDC REQUIREMENTS AND CALLED GREATER ROLE FOR LDCS IN GLOBAL ECONOMIC DECISION MAKING. HE HOPED THAT COW WILL HELP THIS PROCESS.

17. SWEDISH SPOKESMAN NOTING MILLS CALL FOR CHANGES IN ODA SAID ODA WILL BE REQUIRED A LONG TIME AND THEREFORE HAD TO HAVE PUBLIC AND POLITICAL SUPPORT THEREFORE ODA RECIPIENTS HAD TO PAY CLOSE ATTENTION TO THE QUALITY OF THEIR PROGRAMS FOR WHICH ODA WAS USED. NOTING FAILURE OF MANY COUNTRIES TO REACH 0.7 PERCENT OF GNP/ODA TARGET, HE SPECIFICALLY

CALLED ON EASTERN EUROPEANS TO INCREASE THEIR ODA AND PLAY
A MORE "POSITIVE ROLE" IN LDC DEVELOPMENT EFFORTS. RE-
VIEWING CONTENTS OF SWEDISH PAPER SUBMITTED UNDER COW AGEN-
DA ITEM TWO, HE POINTED PARTICULARLY UNDP AND UN DEVELOP-
MENT ASSISTANCE AGENCIES AS AN APOLITICAL CHANNEL FOR ODA
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THAT WAS CAPABLE OF CALLING UPON FINEST TECHNICAL EXPERTS
IN WORLD. HE REITERATED NEED FOR MULTIYEAR FUNDING FOR
UNDP AND TARGET OF \$1 BILLION ANNUALLY FOR UNDP IN 1980S.
TURNING TO SWEDISH ANALYSIS OF LINK BETWEEN UNEMPLOYMENT
AND UNDERUTILIZED CAPACITY IN INDUSTRIALIZED COUNTRIES AND
CURRENT NEEDS OF LDCS HE CITED SWEDISH PROPOSAL FOR
"MASSIVE TRANSFER OF RESOURCES" AS MEANS OF SOLVING THIS
DILEMMA. HE SAID SWEDES WERE CONVINCED THAT THIS IDEA HAD
COME TO STAY AND WOULD BE THE SUBJECT OF "MANY MEETINGS."
HE NOTED THAT NORWEGIANS, AUSTRIANS, RIPERT, AND JAZARI HAD
ALL COMMENTED ON THE IDEA AND THAT IT HAD ALSO ARISEN AT
THE IMF INTERIM COMMITTEE MEETINGS IN MEXICO. HE EXPRESSED
PLEASURE THAT IBRD WOULD BE EXAMINING THE IDEA.

18. DENMARK AS SPOKESMAN FOR EC-9, SUMMARIZED EC-9 PAPER
SUBMITTED UNDER AGENDA ITEM TWO POINTING UP ITEM BY ITEM
STEPS TAKEN BY EUROPEANS TO INCREASE ODA AND IMPROVE ITS
TERMS.

19. SESSION ENDED WITH ECUADORIAN REPRESENTATIVE READING
SUMMARY OF HIS COUNTRY'S PAPER ON AGENDA ITEM WHICH IS FULL
LISTING OF G-77 POSITIONS ON RESOURCE TRANSFERS. YOUNG
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